Which Foreign Markets?

Which one will be successful with your product?

Global Trade Practices
Chapter 4

Basic Entry Decisions
- Which markets to enter?
- When to enter the markets?
- What scale of entry?

Which Foreign Markets
- Favorable benefit-cost-risk-trade-off:
  - Politically stable developed and developing nations.
  - Free market systems
  - No dramatic upsurge in inflation or private-sector debt.
- Unfavorable trade-off
  - Politically unstable developing nations with a mixed or command economy or where speculative financial bubbles have led to excess borrowing.
Four stages of evaluating candidates for entry

1. Country identification
2. Preliminary screening
3. In-depth screening
4. Final selection

Previous Experience
- Past leads
- Past sales
- Competitor behavior
- Domestic trade shows
- Industry experts
- Customer input

Reactive Market Selection
- Based on previous experience
- Ignores markets from where no orders have been received
- Low cost
- Low risk
- Loss of first-mover advantage
- Pepsi vs. Coke
- No guarantee of success
- Competitor’s focus could be misleading
- Global product cycles
Proactive Market Selection

- Demographic
- Macroeconomic
- Government Policies
- Environmental
- Industry-specific

Global Assessment

- Basic Issues
  - Product user
  - Product benefits
  - Cultural limitations
  - Infrastructure needs
- Market
  - Growing, declining, stagnant
  - Competitive, entry barriers, substitutes
  - Environmental conditions
    - (PORTER’S MODEL)

Tariff Trade Barriers

- Most common method of domestic market protection
- Taxes due on imported goods
  - Import duties
- Based on product value
  - Ad valorem duty
- When making comparisons
  - Distinguish between import duties placed on imported goods and VAT (value added tax) charged on all goods sold. VAT is similar to Iowa Sales Tax.
Nontariff Trade Barriers
- More complicated
- Can be discriminatory
- Can keep product out of country
- Often reviewed by World Trade Organization

Non-tariff barriers
- Import licenses
- Government standards and testing
  - FDA
  - CE Mark
- Product labeling
- Quotas
- Government procurement rulings
- Investment restrictions

Japanese Restriction
- JAPAN AGRICULTURE STANDARD
  - JAS
- Organic foods
  - OMIC
**Surgical Devices International**

- Spain's Nontariff Barrier
  - Since usage breaks surface of skin
  - Must be registered with Ministry of Health
  - All documentation must be in Spanish
  - Domestic agent must be determined at time of registration

**Other examples**

- European Union-U.S. Beef
- European Union-GMOs

**Country Data**

- **Country Commercial Guide**
  - Reports from National Trade Data Bank
- U.S. Department of Commerce

**Information regarding:**

- Tariff barriers
- Service barriers
- Barriers to trade
- Typical import steps
- Internal taxes
- Imports subject to special control
- Labeling and marking
- Standards
- Government procurement barriers
- Investment barriers
- Custom valuation
- Tariffs and import taxes
- Other imports
- Etc.